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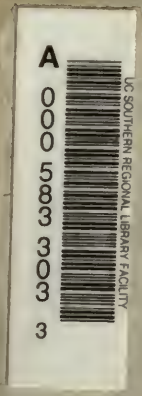

MR. WEBSTER'S SPEECHES

IN THE SENATE,

UPON THE QUESTION OF RENEWING THE CHARTER

OF THE

BANK OF THE UNITED STATES.

Delivered May 25, and 28, 1832.

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SPEECH.

After the bill had been read, and Mr. DALLAS had spoken,

MR. WEBSTER said, that, though he was entirely satisfied with the general view taken by the Chairman of the Committee, (Mr. Dallas,) and with his explanation of the details of the bill, yet there were a few topics upon which he desired to offer some remarks, and if no other gentleman wished, at present, to address the Senate, he would avail himself of this opportunity.

A considerable portion of the active part of life has elapsed, said Mr. W., since you and I, Mr. President, and three or four other gentlemen, now in the Senate, acted our respective parts, in the passage of the bill, creating the present Bank of the United States. We have lived to little purpose, as public men, if the experience of this period has not enlightened our judgments, and enabled us to revise our opinions; and to correct any errors into which we have fallen, if such there are, either in regard to the general utility of a National Bank, or the details of its constitution. I trust it will not be unbecoming the occasion, if I allude to your own important agency in that transaction. The bill incorporating the Bank, and giving it a constitution, proceeded from a committee in the House of Representatives, of which you were Chairman, and was conducted through that House under your distinguished lead. Having recently looked back to the proceedings of that day, I must be permitted to say, that I have perused the speech, by which the subject was introduced to the consideration of the House, with a revival of the feeling of approbation and pleasure with which I heard it; and I will add, that it would not, perhaps, now be easy to find a better brief synopsis of those principles of currency and of banking, which, since they spring from the nature of money and of commerce, must be essentially the same, at all times, in all commercial communities, than that speech contains. The other gentlemen, now with us in the Senate, all of them, I believe, concurred with the Chairman of the Committee, and voted for the bill. My own vote was against it. This is a matter of little importance; but it is connected with other circumstances, to which I will, for a moment, advert. The gentlemen with whom I acted on that occasion had no doubts of the constitutional power of Congress to establish a National Bank; nor had we any doubts of the general utility of an institution of that kind. We had, indeed, most of us, voted for a bank, at a preceding session. But the object of our regard was not whatever might be called *a Bank*. We required that it should be established on certain principles, which alone we deemed safe and useful, made subject to certain fixed liabilities, and so guarded, that it could neither move voluntarily, nor be moved by others, out of its proper sphere of action. We wished for an independent bank, a specie paying bank, a steady and cautious, not a speculative bank. We dreaded all irregularities in the currency; we resisted any, the least, tendency to paper money, or the suspension principle; and of all modes of speculation, we most abhorred that which finds opportunity to enrich itself in the disordered state of the circulating medium, the daily interchange of payment and receipts. The bill, when first introduced, contained features, to which we should never have assented, and we set ourselves accordingly to work, with a good deal of zeal, in order to effect sundry amendments. In some of these proposed amendments, the Chairman, and those who acted with him, finally concurred. Others they opposed. The result was, that several most important amendments, as I thought, prevailed. But there still remained, in my opinion, objections to the bill, which justified a persevering opposition, till they should be removed.

The first objection was to the magnitude of the capital. In its original form, the bill provided for a capital of thirty-five millions, with a power in Congress to increase it to fifty millions. This latter provision was struck out, on the motion of a very intelligent gentleman from New York, (Mr. Cady,) and I believe, sir, with your assent. But I was of opinion that a capital of thirty-five millions was more than was called for by the circumstances of the country. The capital of the first Bank was but ten millions, and it had not

been shown to be too small; and there certainly was no good grounds to say, that the business, or the wants of the country, had grown, in the mean time, in the proportion of thirty five to ten. But the state of things has now become changed. A greatly increased population, and a greatly extended commercial activity, especially in the west and southwest, evidently require an enlarged capacity in the National Bank. The capital, therefore, is less disproportioned to the occasion, than it was sixteen years ago, and whatever of disproportion may be thought still to exist will be constantly decreasing. The augmentation of banking capital in State institutions is by no means a ground for reducing the capital of this Bank. At first view there might appear to be some reason in such a suggestion, but I think a further reflection, on the duties expected to be performed by the Bank, in relation to the general currency of the country, will reject it. One object of the Bank undoubtedly is, to exercise a salutary check over the superabundant issues of other institutions, should such happen to take place; and its means ought to be adequate to this end. On the whole, I am disposed to continue the capital as it is.

There was another objection. The bill had divided the stock into shares of one hundred dollars each, not of four hundred dollars each, as in the first Bank; and it has established such a scale of voting, by the stockholders, as showed it to be quite practicable for a minority, in interest, to control all elections, and to seize on the entire direction of the Bank. It was on this very ground, it was under the apprehension of this very evil, that the last attempt to amend the bill, made by me, proceeded. That attempt was, a motion to diminish the number of shares, by raising the amount of each, from one hundred dollars to four hundred. If we were now creating a new Bank, I should insist, as before, on such a change; but the evil is not to be feared, now that the stock is distributed, has found its way into hands desirous, generally speaking, of holding it, and thus offering no opportunity to that kind of management and speculation.

There was yet one other provision of the bill, which was regarded as unnecessary and objectionable. That was, the power reserved to the Government of appointing five of the Directors. We had had no experience of our own of the effect of such Government interference in the direction of the Bank; and, in other countries, it had been found that such connexion between Government and banking institutions produces nothing but evil. The credit of Banks has generally been very much in proportion to their independence of Government control. While acting on true commercial principles, they are useful both to Government and the People; but the history of the principal moneyed institutions of Europe has demonstrated, that their efficiency and stability consist very much in their freedom from all subjection to State interests and State necessities. The real safety to the public lies in the restraints and liabilities imposed by law, and in the interest which the proprietors themselves have in a judicious management of the affairs of the corporation. I will only say, on this part of the subject, that it is unquestionably true that the successful career of this institution then commenced, when its stock, leaving the hands of speculation, came to be owned, for the common purposes of investment, by such as desired to make investments, and when the proprietors exercised their proper discretion in constituting their part of the direction, with a single view of giving to the Bank a safe and competent administration. All Banks will be sufficiently ready to accommodate Government. Their interest is a security for their good disposition in that respect. I cannot say, however, that I see, at present, any evil arising from the appointment of five of the Directors by the Government, and shall, therefore, propose no change in that particular.

The question now is, sir, whether this institution shall be continued? We ought to treat it as a great public subject; to consider it, like statesmen, as it regards the great interests of the country, and with as little mixture as possible of all minor motives.

The influence of the Bank, Mr. President, on the interests of the Government, and the interests of the People, may be considered in several points of view. It may be regarded as it affects the currency of the country; as it affects the collection and disbursement of the public revenue; as it respects foreign exchanges; as it respects domestic exchanges; and as it affects, either

generally or locally, the agriculture, commerce, and manufactures of the Union.

First, as to the currency of the country. This is, at all times, a most important political object. A sound currency is an essential and indispensable security for the fruits of industry and honest enterprize. Every man of property or industry, every man who desires to preserve what he honestly possesses, or to obtain what he can honestly earn, has a direct interest in mantaining a safe circulating medium; such a medium as shall be a real and substantial representative of property, not liable to vibrate with opinions, not subject to be blown up or blown down, by the breath of speculation, but made stable and secure by its immediate relation to that which the whole world regards as of permanent value. A disordered currency is one of the greatest political evils. It undermines the virtues necessary for the support of the social system, and encourages propensities destructive of its happiness. It wars against industry, frugality, and economy; and it fosters the evil spirits of extravagance and speculation. Of all the contrivances for cheating the laboring classes of mankind, none has been more effectual than that which deludes them with paper money. This is the most effectual of inventions to fertilize the rich man's field by the sweat of the poor man's brow. Ordinary tyranny, oppression, excessive taxation, these bear lightly on the happiness of the mass of the community, compared with fraudulent currencies, and the robberies committed by depreciated paper. Our own history has recorded, for our instruction, enough, and more than enough, of the demoralising tendency, the injustice, and the intolerable oppression, on the virtuous and well-disposed, of a degraded paper currency, authorized by law, or any way countenanced by Government.

We all know, sir, that the establishment of a sound and uniform currency was one of the great ends contemplated in the adoption of the present constitution. If we could now fully explore all the motives of those who framed and those who supported it, perhaps we should hardly find a more powerful one than this. The object, indeed, is sufficiently prominent on the face of the Constitution itself. It cannot well be questioned, that it was intended by that Constitution to submit the whole subject of the currency of the country, all that regards the actual medium of payment, and exchange, whatever that should be, to the control and legislation of Congress. Congress can alone coin money—Congress can alone fix the value of foreign coins. No State can coin money; no State can fix the value of foreign coins; no State (nor even Congress itself) can make any thing a tender but gold and silver in the payment of debts; no State can emit bills of credit. The exclusive power of regulating the metallic currency of the country would seem necessarily to imply, or, more properly, to include, as part of itself, a power to decide how far that currency should be exclusive—how far any substitute should interfere with it, and what that substitute should be. The generality and extent of the power granted to Congress, and the clear and well defined prohibitions, on the States, leave little doubt of an intent to rescue the whole subject of currency from the hands of local legislation, and to confer it on the General Government. But, notwithstanding this apparent purpose in the Constitution, the truth is, that the currency of the country is now, to a very great extent, practically and effectually under the control of the several State governments, if it be not more correct to say, that it is under the control of the banking institutions, created by the States; for the States seem first to have taken possession of the power, and then to have delegated it.

Whether the States can constitutionally exercise this power, or delegate it to others, is a point, which I do not intend, at present, either to concede or to argue. It is much to be hoped, that no controversy on the point may ever become necessary. But it is matter highly deserving of consideration, that although clothed by the Constitution with exclusive power over the metallic currency, Congress, unless through the agency of a Bank established by its authority, has no control whatever over that which, in the character of a mere representative of the metallic currency, fills up almost all the channels of pecuniary circulation.

In the absence of a Bank of the United States, the State banks become effectually the regulators of the public currency. Their numbers, their capital,

and the interests connected with them, give them, in that state of things, a power which nothing is competent to control. We saw, therefore, when the late war broke out, and when there was no national bank in being, that the State institutions, of their own authority, and by an understanding among themselves, under the gentle phrase of suspending specie payments, every where south of New England, refused to redeem their notes. They were not called to answer for this violation of their charters, as far as I remember, in any one State. They pleaded the urgency of the occasion, and the public distresses; and in this apology the State Governments acquiesced. Congress, at the same time, found itself in an awkward predicament. It held the whole power over coins. No State, or State institution, could give circulation to an ounce of gold or of silver, not sanctioned by Congress. Yet all the States, and a hundred State institutions, claimed, and exercised, the right of driving coin out of circulation by the introduction of their own paper; and then of depreciating and degrading that paper, by refusing to redeem it. As they were not institutions created by this Government, they were not answerable to it. Congress could not call them to account; and if it could, Congress had no bank of its own whose circulation could supply the wants of the community. Coin, the substantial constituent, was, and was admitted to be, subject only to the control of Congress; but paper, assuming to be a representative of this constituent, was taking great liberties with it, at the same time that it was no way amenable to its constitutional guardian. This suspension of specie payments was, of course, immediately followed by great depreciation of the paper. It shortly fell so low, that a bill on Boston could not be purchased at Washington under an advance of from twenty to twenty-five per cent. I do not mean to reflect on the proceedings of the State banks. Perhaps their best justification is to be found in the readiness with which Government itself borrowed of them their paper, depreciated as it was; but it certainly becomes us to regard, attentively, this part of our experience, and to guard, as far as we can, against similar occurrences.

I am of opinion, sir, that a well conducted National Bank has an exceedingly useful and effective operation on the general paper circulation of the country. I think its tendency is manifestly to restrain, within some bounds, the paper issues of other institutions. If it be said, on the other hand, that these institutions, in turn, hold in check the issues of the National Bank, so much the better. Let that check go to its full extent. An over-issue by the Bank itself no one can desire. But it is plain, that, by holding the State institutions, which come into immediate contact with itself and its branches, to an accountability for their issues, not yearly or quarterly, but daily and hourly, an important restraint is exercised. Be it remembered always, that what it is to expect from others, it is to perform itself; and that its own paper is, at all times, to turn into coin by the first touch of its own counter.

But, Mr. President, so important is this object, that I think, that, far from diminishing, we ought rather to increase and multiply our securities; and I am not prepared to say, that even with the continuance of the Bank charter, and under its wisest administration, I regard the state of our currency as entirely safe. It is evident to me, that the general paper circulation has been extended too far for the specie basis on which it rests. Our system, as a system, dispenses too far, in my judgment, with the use of gold and silver. Having learned the use of paper, as a substitute for specie, we use the substitute, I fear, too freely. It is true, that our circulating paper is all redeemable in gold and silver. Legally speaking, it is all convertible into specie at the [illegible] holder. But a mere legal convertibility is not sufficient. There must be an actual, practical, never ceasing convertibility. This, I think, is not at present sufficiently secured; and as it is matter of high interest, it well deserves the serious consideration of the Senate. The paper circulation of the country is, at this time, probably, seventy-five or eighty millions of dollars. Of specie, we may have twenty or twenty-two millions; and this principally in masses, in the vaults of the banks. Now, sir, this is a state of things which, in my judgment, leads constantly to over trading, and to the consequent excesses and revulsions, which so often disturb the regular course of commercial affairs. A circulation consisting, in so great a degree, of paper, is easily expanded, to furnish temporary capital to such as wish to

adventure on new enterprises in trade; and the collection in the banks of most of what specie there is in the country, affords all possible facility for its exportation. Hence, over trading does frequently occur, and is always followed by an inconvenient, sometimes by a dangerous, reduction of specie. It is in vain that we look to the prudence of banks for an effectual security against over trading. The directors of such institutions will generally go to the length of their means in cashing good notes, and leave the borrower to judge for himself of the useful employment of his money. Nor would a competent security against over trading be always obtained, if the banks were to confine their discounts strictly to business paper, so denominated; that is, to notes and bills which represent real transactions, having been given and received, on the actual purchase and sale of merchandise; because these transactions themselves may be too far extended. In other words, more may be bought than the wants of the community may require, on a speculative calculation of future prices. Men naturally have a good opinion of their own sagacity. He who believes merchandise is about to rise in price, will buy merchandise, if he possesses money, or can obtain credit. The fact of actual purchase, therefore, is not proof of really subsisting want; and, of course, the amount of all purchases does not correspond always with the entire wants or necessities of the community. Too frequently it very much exceeds that measure. If, then, the discretion of the banks, exercised in deciding the amount of their discounts, is not a proper security against over trading; if facility in obtaining bank credits naturally fosters that spirit; if the desire of gain and love of enterprise constantly cherish it; and if it finds specie collected in the banks inviting exportation, what is the remedy, suited and adequate to the case? Now, I think, sir, that a closer inquiry into the direct source of the evil will suggest the remedy. Why have we so small an amount of specie in circulation? Certainly the only reason is, because we do not require more. We have but to ask its presence, and it would return. But we voluntarily banish it, by the great amount of small bank notes. In most of the States the banks issue notes of all low denominations, down even to a single dollar. How is it possible, under such circumstances, to retain specie in circulation? All experience shows it to be impossible. The paper will take the place of the gold and silver. When Mr. Pitt, in the year 1797, proposed, in Parliament, to authorize the Bank of England to issue one pound notes, Mr. Burke lay sick at Bath of an illness from which he never recovered, and he is said to have written to the late Mr. Canning, "Tell Mr. Pitt, that if he consents to "the issuing of one pound notes, he must never expect to see a guinea again." The one pound notes were issued, and the guineas disappeared. A similar cause is now producing a precisely similar effect with us. Small notes have expelled dollars and half dollars from circulation in all the States in which such notes are issued. On the other hand, dollars and half dollars abound in those States which have adopted a wiser and safer policy. Virginia, Pennsylvania, Maryland, Louisiana, and some other States, I think, seven in all, do not allow their banks to issue notes under five dollars. Every traveller notices the difference, when he passes from one of these States into those where small notes are allowed. The evil, then, is the issuing of small notes by State banks. Of these notes, that is to say, of notes under five dollars, the amount now in circulation is, doubtless, eight or ten millions of dollars. Can these notes be withdrawn? If they can, their place will be immediately supplied by a specie circulation of equal amount. The object is a great one, as it is connected with the safety and stability of the currency, and may well justify a serious reflection on the means of [illegible] it. May not Congress and the State Governments, acting, not [illegible]ly, but severally, to the same end, easily and quietly attain it? I think they may. It is but for other States to follow the good example of those which I have mentioned, and the work is done. As an inducement to the States to do this, I propose, in the present bill, to reserve to Congress a power of withdrawing from circulation a pretty large part of the issues of the Bank of the United States. I propose this, so that the State banks may withdraw their small notes, and find their compensation in a larger circulation of those of a higher denomination. My proposition will be, that at any time after the expiration of the existing charter of the Bank, that is, after 1836, Congress may, if it see

fit, restrain the Bank from issuing, for circulation, notes or bills under a given sum, say ten, or twenty dollars. This will diminish the circulation, and, consequently, the profits of the Bank; but it is of less importance to make the Bank a highly profitable institution to the stockholders, than that it should be safe and useful to the community. It ought not, certainly, to be restrained from the enjoyment of all the fair advantages to be derived from the discreet use of its capital, in banking transactions; but the leading object, after all, in its continuance is, and ought to be, not private emolument, but public benefit.

It may, perhaps, strike some gentlemen, that the circulation of small notes might be effectually discouraged, by refusing to receive not only all such small notes, but all notes of such banks as issued them, at the custom houses, land offices, post offices, and other places of public receipt, and by causing them to be refused also, either in payment or deposite, at the Bank of the United States. But the effect of such refusal may be doubtful. It would certainly, in some degree, discredit such notes, but probably it would not drive them out of circulation altogether; and if it should not do this, it might, very probably, increase their circulation. If, in some degree they become discredited, to that degree they would become cheaper than other notes; and universal experience proves, that of two things which may be current, the cheaper will always expel the other. Thus silver itself, because it is proportionally cheaper with us than gold, has driven the gold out of the country; that is to say, we can pay a debt of one hundred dollars, by tendering that number of Spanish or American dollars. But we cannot go into the market and buy ten American eagles for these hundred silver dollars. They would cost us a hundred and four. Thus, as we can pay our debts cheaper in silver than in gold, we use nothing but silver, and the gold goes where it is more highly valued. The same thing always happens between two sorts of paper, which are found at the same time in circulation. That which is cheaper, or of less value than the other, always drives its more respectable associate out of its company.

Measures, therefore, such as I have alluded to, would be likely, I fear, rather to aggravate than to remedy the evil. We must hope that all notes under five dollars may be entirely withdrawn from circulation, by the consent of the States and the State banks; and when that shall be done, their place will be immediately supplied with specie. We should then receive an accession of ten million of dollars, at least, to our specie circulation; and these ten millions will find their place not in the Bank, not collected any where in large masses, but in constant use, among all classes, and in hourly transfer from hand to hand. It cannot be denied that such an addition would give great strength to our pecuniary system, discourage excessive exportation of specie, and tend to restrain and correct the evils of over trading. England has applied the like remedy to a similar evil, though she has carried the restriction much higher, and allowed the circulation of no notes for less sums than five pounds sterling.

I have thought this subject, Mr. President, of so much importance, as that it was fit to present it, at this time, to the consideration of the Senate. I propose to do no more, at present, than to insert such a provision as I have described in this bill; in the mean time, I hope the matter may attract the attention of those whose agency will be desired to accomplish the general object.

The next point on which I will offer a few remarks is, of the great advantage of the Bank in the operations of the treasury—first, in the collection, next, in the disbursement, of the revenue. How is the revenue to be collected through all the custom houses, the land offices, and the post offices, without some such means as the Bank affords? Where are payments, made at the custom houses, to be deposited? In whose hands are these large sums to be trusted, and how are they to be remitted to Washington, or wherever else they may be wanted? I dare say, sir, that the operations of Government might be carried on in some way without the agency of a Bank; but the question is whether they could be carried on safely, without loss and without charge. Look to the disbursement of the revenue. At present, the Bank is bound to transmit Government funds in one place to any other place, without

expense. A dollar, at St. Louis or Nashville, becomes, at once, a dollar in New Hampshire or Maine, if the Treasury so choose. This, certainly, is very useful and convenient. If there were no Bank of the United States at New Orleans for example, duties to the Government at that place must be received, either in specie or in bills of local banks. If in the former, the funds could not be remitted where they might be required, without considerable expense—if in the latter, they could not be remitted at all, until first converted into specie. If bills of exchange were resorted to, they would be often not to be had, without a premium, and always attended with more or less risk. In short, the utility of the Bank, in collecting and disbursing the revenue, is too obvious to be argued, and too great not to strike any one conversant with such subjects, without the aid of comment.

I have alluded to its dealings in foreign exchanges as one of the important powers of the corporation. There are those who think this power ought to be withheld. It is, I think, one of the most common objections to the Bank in the large cities; but I do not think it well founded. It is said that the trade in exchange ought to be left free, like other traffic. Be it so. But, then, why not leave it as free to the Bank, as to others? The Bank enjoys no monopoly. If it be true, that, by the magnitude of its capital, and the distribution of its several offices, it acts upon the rates of exchange, not locally, but generally, and thus occasionally restrains the profit of dealing in one place, by bringing the general rates through the whole country nearer to a uniformity, the occasional profits of individuals may be lessened, but the general effect is beneficial to the public. If, at the same time that it keeps the domestic exchanges of the country at low rates, it keeps the rates of foreign exchanges nearly uniform and level, I hardly know how it could do greater service to the commercial community. In the business of foreign exchange, the Bank has, and always will have, powerful rivals. It is natural that these rivals should desire that, in this particular, the bank should retire from business. But, are its dealings in exchange found prejudicial, by those who deal in it themselves no further than to buy, for their own remittances, in the ordinary way of business? In things of this kind, we may most safely guide ourselves by the light of experience. And, taking it for granted, that the general interest of the trading community is injured by sudden fluctuations in exchange, and benefited by keeping it as steady as the commerce of the country will allow—in other words, by keeping the price of bills so as that it corresponds with the real state of the exchange, and not raised or lowered for ends of speculation, I have inquired, of those who could inform me, whether, for ten or twelve years past, the rates of exchange have, or have not, been as steady and unvarying, as may ever be expected; and the information I have received, has satisfied me that the power of the Bank, of dealing in foreign exchange, has been far from prejudicial to the commercial world. While there is a dealer, with competent funds and credit, always willing to sell foreign bills at moderate rates, and always ready to buy them, also, the very nature of the case furnishes a considerable degree of security against those fluctuations which arise from speculation, although it leaves private dealings entirely free. If that power should be now taken away from the Bank, I think I can perceive that consequences of some magnitude would follow, in particular parts of the country. At present, the producer, or the shipper of produce, at New Orleans, Savannah, or Charleston, in making shipments for Europe, can, on the spot, cash his bill, drawn against such shipment, without charge for brokerage, guaranty, or commission. If the planter has sold to the shipper, the latter has his bill discounted, and pays the planter; who thus receives the price for his crop without delay, and without danger of loss. Suppose the Bank were denied the power of purchasing foreign bills. What would be the necessary operation? The producer, or shipper, might send the cotton or the sugar to the North; and, in that case, the Bank could cash his draft: but, if he sent it abroad, his bill must be sent to his agent, in the bill market of the northern cities, for sale; and if he wishes to realize the amount, he will draw on his agent, and sell such draft. This evidently subjects him to a double operation, and to the expenses of commission, guaranty, &c. It is plain, I think, that, in the present state of things, the shipper of Southern and Western produce, enjoys the benefit of both the foreign and the Northern

market, more perfectly than he would if this state of things were to be so changed that he could not draw on his consignee in the foreign market, as advantageously as he can now do it.

But, if there be a question about the utility of the operations of the Bank in foreign exchange, there can be none, I suppose, as to its influence on that which is internal or domestic. I speak now of internal exchange, as exchange merely, without considering it connected, as it usually is, with advance, or discount, in anticipation of the maturity of bills. In regard to mere exchange, the operations of the Bank appear to have produced the most beneficial effect. I doubt whether, in any extensive country, the rates of internal exchange ever averaged so low. Before the Bank went into operation, three or four, or five per cent. was not uncommon, as the difference of exchange between one extremity of the country and the other. It has, at times, indeed, as I am informed, been as high as six per cent. between New Orleans and Baltimore, and between other places in the country, much higher. The vast amounts bought and sold by the Bank, in all parts of the country, average, perhaps, less than one half per cent. I doubt whether this exceeds the rates between comparatively neighboring parts of Great Britain or the continent of Europe, although much of it consists in exchange between the extreme South, and the Northern and Eastern parts of the Union.

With respect to the effect and operation of the Bank upon the general interests of agriculture, commerce, and manufactures, there will be found a great difference, as we look at different parts of the country. Every where, I think, they have been salutary; but they have been important, in very different degrees, in different quarters. The influence of the Bank on the general currency of the country, and its operations, in exchanges, are benefits of a general nature; these are felt all over the country. But, in loans and discounts—in the distribution and actual application of its capital—different portions of the country have partaken, and are partaking, in very different degrees. The West is a new and fast growing country, with vast extent of rich land, inviting settlement and cultivation. Enterprise and labor are thronging to this scene of useful exertion, and necessarily create an urgent demand for capital. This demand the Bank meets, to a very considerable degree. The reports of the Bank show the existing extent of its accommodation to this part of the country. In the whole Southern and Western States, that is to say, South and West of Philadelphia, the amount exceeds forty-three millions of dollars. In the States lying on the Mississippi, and its waters, it exceeds thirty millions of dollars; of these thirty millions, nineteen or twenty are discounts of notes, and the residue of acceptances of bills drawn on other parts of the country. This last amount is not, strictly, a loan; it is an advance in anticipation of a debt; but other advances are needed, quite as fast as this is paid off, as every successive crop creates a new occasion, and a new desire, to sell bills. I leave it to Western gentlemen to judge how far this state of things goes to show that the continuance of the Bank is important to the agriculture and commerce of the West. I leave it to them to contemplate the consequences of withdrawing this amount of capital from their country. I pray them, also, to inquire what is to be their circulating medium, when the notes of the Bank are called in? Do they see before them neither difficulty nor danger on this part of the case? Are they quite confident that, in the absence of the bills and notes of the Bank of the United States, they need have no fears of a bad currency, depreciated paper, and the long train of ills that follow, according to all human experience, those inauspicious leaders? I ask them, also, to judge how far it is wise to settle this question now, so as to give time for making this vast change, if it is to be made at all. The present charter is to continue but four years. If it be not renewed, this debt must be called in within that period; not a new note can be taken to the Bank for a dollar of it after that time. The whole circulation of Bank notes, too, must be withdrawn. Is it not plain, then, that it is high time to know how this important matter is to be adjusted? The country could not stand a sudden recall of all this capital, and an abrupt withdrawal of this circulation. How, indeed, the West could stand the change, even if it were begun now, and conducted as gradually and as gently as possible, I confess I can hardly see. The very commencement of the process of recall, however

slight, would be felt, in the prices of the very first crop, partly from the immediate effect of withdrawing even a small part of the capital, and partly from the certainty of future pressure, from withdrawing the rest. Indeed, gentlemen must prepare themselves, I think, for some effect on the prices of lands and commodities, by the postponement of this question, should it take place, as well as for embarrassments in other respects. That postponement will, at best, not diminish the uncertainty which hangs over the fate of the measure. Seeing the hostility which exists to renewing the charter, and the extent of that hostility, if the measure cannot now be carried, not only a prudent regard to its own interests, but the highest duty to the country ought to lead the Bank to prepare for the termination of its career. It has not before it one day too many to enable it to wind up, without distressing the public, such vast concerns. If it were certain that the charter was to be renewed, a postponement would be of little importance. But this is uncertain, and a postponement would render it more uncertain. A motion to postpone, should such be made, will be mainly supported by those, who, either on constitutional grounds, or some other grounds, are, and always will be, against the renewal. A postponement, under such circumstances, and such auspices, cannot but create far stronger doubts than now exist, of the final renewal of the charter.

It is now two years and a half since the President invited the attention of Congress to this subject. That invitation has been more than once repeated. Every where, the subject has been considered; every where, it has been discussed. The public interest now requires our decision upon it; and the public voice demands that decision. I trust, sir, we shall make it, and make it wisely.

I have said nothing, sir, of the applications, some of them from highly respectable sources, for a new Bank to a new set of proprietors, with an increased premium or *bonus*, and other offers of advantage.

There are many reasons leading me to the conclusion, that no such measure could be seriously contemplated by Congress. In the first place, the present Bank is organized, has gone through the uncertainties and dangers incident to such institutions at their commencement, has passed the point when the spirit of speculation is most mischievous, has had experience in the conduct of its affairs, and become fixed and settled in the course of its administration. The temptation of a large *bonus* should not induce us to disturb what is satisfactorily at rest, create new occasions for speculation, and place great interests in the safe keeping of an untried trustee. In the next place, the discontinuance of one Bank, and the establishment of another, could not be accomplished without great inconvenience to the community. How is all the capital of the present Bank to be withdrawn from its employment, and a vacuum left, till a new institution shall come with means to fill it, without intolerable embarrassment to the people? Are the debtors to the present Bank to be pressed for payment, that the corporate franchise may change hands, simply for an increased *bonus*, and to try the experiment of change? Is the Bank to begin to collect its debts, to decline its customary advances, to withdraw old credits, to refuse new ones, to suspend exchanges and remittances; in a word, to displace fifty millions of active commercial capital, now in full employment, and to withdraw, also, twenty millions of notes from the general circulation, for no purpose but to enable us to bring a new institution into the place of the old? He is a statesman of some confidence in his own skill, who thinks he could accomplish such a change without public inconvenience. He is a statesman, too, of no ordinary penetration, who can discover adequate motives for it. And, in the last place, the public opinion requires no such change. There is no call for a new Bank, with a new constitution, and a large *bonus;* but there is, as it seems to me, a distinct call for the continuance of the present. The country is acquainted with the existing Bank; it has tried it, and is satisfied with it; and what it asks of us is, to prolong its existence.

Mr. President, the motives which prescribe my own line of conduct on this occasion, are not drawn from any local considerations. The State in whose representation I bear a part, has as little interest, peculiar to itself, in the continuance of this corporation, as any State in the Union. She does not need

n the aid of its capital, because the state of her commerce and manufactures does not call for the employment of more capital than she possesses. She does not need it, in any peculiar degree, certainly, as any restraint or corrective on her own paper currency. Her banks are as well conducted as those of other States. But she has a common interest in the continuance of a useful institution. She has an interest in the wise and successful administration of the Government, in all its departments. She is interested that the general currency of the country should be maintained in a safe and healthy state. She derives a benefit, with others, (I believe it a great benefit,) from the facility of exchanges in internal commerce, which the Bank affords. This is the sum of her motives. For these reasons, she is willing that the Bank should be continued, but if the matter should be otherwise determined, however much she would regret it on general and public grounds, she certainly does not apprehend, from such a result, inconveniences to her own citizens, such as may, and must, fall, so far as I can see, on some others.

Mr. President, I will take leave of the subject for the present, with a remark which I think is due from me. For some years past, I have not been inattentive to the general operations of the Bank, or to their influence on the public interests, and the convenient administration of the Government; and I take the occasion to say, with sincerity and cheerfulness, that, during that period, its affairs have been conducted, in my opinion, with fidelity, as well towards the Government as towards its own stockholders; and that it has sought the accomplishment of the public purposes, designed by its institution, with distinguished ability and distinguished success.

At a subsequent period of the debate,

Mr. Moore, of Alabama, moved to amend the bill for modifying and continuing the charter of the Bank of the United States, by introducing two provisions:

1st. That the Bank shall not establish, nor continue, any office of discount and deposite, or branch bank, in any State, without the consent and approbation of the State;

2d. That all such offices or branches shall be subject to taxation, according to the amount of their loans and issues, in like manner as other banks, or other property, in the State, shall be liable to taxation.

On this amendment, Mr. Webster said, he trusted the Senate would not act on these propositions, without fully understanding their bearing and extent. For my own part, said he, I look upon the two parts of the amendment as substantially of the same character. Each, in my opinion, confers a power on the States to expel the Bank at their pleasure; in other words, entirely to defeat the operations and destroy the capacity, for usefulness, of the whole institution. The simple question is, shall we, by our own act, in the charter itself, give the States permission to expel the Bank and all its branches from their limits, at their own pleasure. The first part of the amendment gives this permission in express terms; and the latter part gives it, in effect, by authorizing the States to tax the loans and issues of the Bank, with no effectual limitation. It appears to me idle to say, that the power may be safely given, because it will not be exercised. It is to be given, I presume, on the supposition that, probably, some of the States will choose to exercise it; else, why is it given at all? And will they not so choose? We have already heard, in the course of this debate, of two cases in which States attempted to exercise a power of this kind, when they did not, constitutionally, possess it. Two States have taxed the branches, for the avowed purpose of driving them out of their limits, and were prevented from accomplishing this object, merely by force of judicial decisions against their right. If, then, these attempts have been made to exercise this power, when it was not legally possessed, and against the will of Congress, is there any doubt it will be exercised, when its exercise shall be permitted, and invited, by the proposed amendment? I have no doubt, the power, if granted, will be exercised, and the main object of continuing the Bank thus defeated.

I have already said, that the second branch of the amendment is as objectionable and as destructive as the first. I think it is so. It appears to me to give ample power, by means of taxation, to expel the Bank from any State which may choose to expel it. It gives a power of taxation without fixed limits, or any reasonable guards. And a power of taxation, without fixed limits, and without guards, is a power to embarrass, a power to oppress, a power to expel, a power to destroy. The States are to be allowed to tax the branches *according to the amount of their loans and discounts*, in like manner as other banks, or other property in the State, shall be liable to taxation. Now, sir, some of the States have no banks. Of course they tax no banks. In other States, the banks pay the State a *bonus* on their creation, and are not otherwise taxed. In other cases, the State in effect itself owns the bank, and a tax on it, therefore, would be merely nominal. Besides, no State is to be bound to lay this tax, as it taxes its own banks. It has an option to tax it in that manner, *or as other property is taxed.* What other property? It may be, as lottery tickets, gaming tables, or other things which may be deemed fit to be discouraged or suppressed, are taxed. The bank may be classed with other nuisances, and driven out, or put down, by taxation. All this is perfectly within the scope of the amendment. The license is broad enough to authorize any thing which may be designed, or wished.

Now, sir, in the first place, I doubt exceedingly our power to adopt this amendment, and I pray the deliberate consideration of the Senate in regard to this point. In the first place, let me ask, what is the constitutional ground on which Congress created this corporation, and on which we now propose to continue it? There is no express authority to create a bank, or any other corporation, given to us by the constitution. The power is derived by implication. It has been exercised, and can be exercised only on the ground of a just necessity. It is to be maintained, if at all, on the allegation that the establishment of a National Bank is a just and necessary mean of carrying on the Government, and of executing the powers conferred on Congress by the constitution. On this ground, Congress has established this bank, and on this, it is now proposed to be continued. And it has already been judicially decided, that Congress having established a bank for these purposes, *the constitution of the United States prohibits the States from taxing it.* Observe, sir, it is the *constitution*, not the *law*, which lays this prohibition on the States. The charter of the Bank does not declare that the States shall not tax it. It says not one word on that subject. The restraint is imposed, not by Congress, but by a higher authority—the constitution. The true and well settled doctrine is, that all subjects over which the power of a State extends, are objects of State taxation; but those over which it does not extend, are exempt from its taxation. The power of a State extends to every thing which exists by its own authority, or is introduced by its own permission; but it does not extend to those means which are employed by Congress, to carry into execution the powers conferred on it by the People of the United States. A single State cannot give a power to tax an instrument, created and employed by the Government of the whole Union; nor can it, by taxation or otherwise, retard, impede, burden, or control the operation of a law, constitutionally passed by Congress. If individuals acquire property, under the operation of the law creating the Bank, or any other law of Congress, such property is taxable, in their hands, in the same manner as other property of a similar kind is taxable. But it is a necessary consequence, from the constitutional supremacy of the Government of the whole Union, that the action of Congress, in the exercise of its lawful powers, should not be embarrassed by conflicting power, exercised or asserted by particular States; and that no State can rightfully hinder or obstruct the free course of those measures which the Government of the whole Union may rightfully adopt. The powers of the Bank of the United States are not granted by the individual States, nor does it exist by their permission. Its franchise is not of State origin, but flows from another source. It is not one of those subjects over which the power of the State extends; and therefore it is not rightfully an object of State taxation. All this I take to be as well settled, as any thing can be settled by the practice of the Government, the laws of Congress, and the decision of the judicial tribunals. Now, sir, I ask, how *we* can relieve the States from this constitu-

tional prohibition? It is true, that this prohibition is not imposed in express terms; but it results from the general provisions of the constitution, and has been judicially decided to exist in full force. This is a protection, then, which the constitution of the United States, by its own force, holds over this instrument, which Congress has deemed necessary to carry on the Government. Can we throw off this constitutional protection? I think it clear we cannot. We cannot repeal the constitution. We cannot say that every power, every branch, every institution, and every law of this Government, shall not have all the force, all the sanction, and all the protection, which the constitution gives it. By the constitution every law of Congress is finally to be considered, and its construction ultimately settled, by the Supreme Court of the United States. These very acts, before referred to, taxing the banks, were held valid by more or fewer of the State judicatures, but were finally pronounced unconstitutional by the Supreme Court; and, this, not by force of any words in the charter, but by force of the constitution itself. I ask, whether it is competent for us to reverse this provision of the constitution, and say that the laws of Congress shall receive their ultimate construction from the State courts? Again; the constitution gives Congress a right to lay duties of impost, and it prohibits the exercise of any such power by the States. Now, it so happens, that the national treasury is full, and the State treasuries are far less so. It might be thought very convenient that a part of the imposts, at the custom house, should be received by the States. But will any man say that Congress could authorize the States to lay and collect imposts, under any restrictions or limitations whatever? No one will pretend it. That would be to make a new partition of power between this Government and the State Governments. Mr. Madison has observed, that the assent of the States cannot confer a new power on Congress, except in those cases especially provided in the constitution. This is very true, and it is equally true, that the States cannot obtain a new power, by the consent of Congress, against the prohibition of the constitution, except in those cases which are expressly so provided for in the constitution itself.

These reasons, sir, lead me to think, that if, for purposes connected with the beneficial administration of the Government, we deem it necessary to continue this corporation, we are not at liberty to repeal any protection, or any immunity, with which the constitution surrounds it. We cannot give to a law of the United States less than its constitutional effect. The constitution says, that every such law, passed in pursuance of the constitution, shall be paramount to any State law. We cannot enact that it shall not be so; for that would be to repeal, so far, the constitution.

It is asked, whether, after all, the powers of the Bank will be any greater than we choose to make them, and whether we may not prescribe to it any terms or conditions which we see fit? If I were to admit the affirmative of both these questions to be true, no concession would be made, favorable to the proposed amendment. If the powers of the Bank shall be no more than *we* choose to make them, and if *we* may prescribe to it whatever terms and conditions we please, it by no means follows that we may leave it to others also to prescribe what terms and conditions *they* please. We are constituting a Bank by our own law, for our own ends. The constitution of this Bank will consist, not only of the positive powers which are granted to it, but of all the conditions, terms, and liabilities, to which it is made subject. All these *we* may prescribe ourselves; but how can we invest *others* with the power of prescribing them? How can we delegate our own legislative trust? We are passing a law which, if constitutional, is to be the supreme law; it is to be paramount over all State laws; how, then, can we confer on State Legislatures a power to control, modify, or interfere with it, by their own laws?

Allow me now, Mr. President, to inquire on what ground it is now here contended that the States may claim this power *of taxation*. They cannot claim it as a power to tax all property of their own citizens. This they possess, without denial or doubt. Every stockholder in the Bank is liable to be taxed for his property therein, by the State of which he is a citizen. This right is exercised, I believe, by all the States which lay taxes on money at interest, income, and other subjects of that kind. It is, then, not that they may be authorized to tax the pro-

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perty of their own citizens. Nor is it because any State does not participate in the advantage of the premium, or *bonus*, paid by the Bank to Government for the charter. That sum goes into the treasury for the general good of all.

Nor can the claim be sustained, on the strength of the mere circumstance, that a branch, or an office, is established in a State. Such office, or branch, is but an agency. It is not a body politic or corporate. It has no legal existence of itself. It is but an agent of the general corporation. That these agents have their residence or place of business, in a particular State, is not of itself the foundation of any claim. But, according to the language of the amendment, the ground of this claim to tax, is evidently *the loans and issues;* and these loans and issues, properly speaking, are the loans and issues of the Bank. The office, as an agent, conducts the arrangement, it is true; but the notes which are issued are notes of the Bank, and the debts created, are debts due to the Bank. *The circulation is the circulation of the Bank.* Now, the truth is, what this amendment proposes to give to the States, *is, a right to tax the circulation of the Bank.* There is no pretence to say that the proposed tax is a tax on property, real or personal. The Bank is authorized to issue its notes in loans; and, in doing this, it simply exercises a power conferred on it by law, and enters into a contract which that law expressly authorizes, and for which it prescribes various regulations. The law declares that the Bank may issue its own notes for circulation; and the same law declares that these notes shall be a currency for the payment of debts due to Government. A tax on loans and issues, then, is a tax which bears directly on the exercise of a power created by Congress for public uses and purposes. The amendment, therefore, does authorize one part of the country—a single State—to impede, embarrass, or altogether destroy a law, made by the Legislature of the whole country, for the good of the whole, notwithstanding that the constitution expressly declares, that the law, passed by the Legislature of the whole country, shall be supreme. It is on the right, asserted for the States, to tax the operations of a franchise, created by the United States, that the argument for the amendment avowedly rests. The very form and words of the argument show this. The common way of stating it is that, since State banks pay a tax to the State, these branch banks coming in to do business among them ought to pay a similar tax. But the State banks pay the tax to the State *for the privilege of circulation;* and the proposition is, therefore, neither more nor less than that the United States' Bank shall pay the States for the same privilege. The circulation of the bills is the substance—the locality of the office is but an incident. An office is created, for example, on Connecticut river, either in Massachusetts, Vermont, Connecticut, or New Hampshire. The notes of the Bank are loaned at this office, and put in circulation in all these States. Now no one will say, that the State where the office happens to be placed, should have a right to lay this tax, and the other States have no such right. This would be a merely arbitrary distinction. It would be founded on no real or substantial difference; and no man, I think, can seriously contend for it. Under this very amendment, Pennsylvania would be authorized to collect a large tax, and New Jersey no tax at all, although the State circulation of New Jersey is as much affected and diminished, as that of Pennsylvania, by the circulation of the Bank of the United States. The States which have the benefit of branches, (if it be a benefit,) are to have the farther advantage of taxation; while other States are to have neither the one nor the other. Founding the claim on the State right to derive benefit from the paper circulation which exists within it, the advocates of the claim are clearly not consistent with themselves, when they support a measure which professes to protect that right in some States, and to leave it unprotected in others.

But the inequality of the operation of this amendment, is not the only, nor the main objection to it. It proceeds on a principle not to be admitted. It asserts, or it takes for granted, that the power of authorizing and regulating the paper currency of the country, *is an exclusive State right.* The ground assumed can be no less broad than this; because, the Bank of the United States, having the grant of a power from Congress to issue notes for circulation, its right is perfect, if Congress could make such grant. It owes nothing

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to the States, if Congress could give what it has undertaken to give; that is to say, if Congress, of its own authority, may confer a right to issue paper for circulation. Now, sir, whosoever denies this right in Congress, denies of course its power to create such a Bank as now exists. The Bank of the United States is quite unconstitutional, if the whole paper circulation belongs to the States; because the Bank of the United States is a Bank of circulation, and was so intended to be by Congress. The power of issuing notes for circulation is not an indispensable ingredient in the constitution of a bank, merely as a bank. The earlier banks did not possess it, and many good ones have existed without it. On what ground is it then, that Congress possesses the power, not only to create a bank, but a bank of circulation? Simply, as I suppose, because Congress possesses a constitutional control over the currency of the conntry, and has power to provide a safe medium of circulation, as well for other purposes as for the collection of its own debts and revenue. The Bank, therefore, already possesses unconstitutional power, if the paper circulation be the subject, exclusively, of State right, or State regulation. Indeed, sir, it is not a little startling that such exclusive right should now be asserted. I observed, the other day, that, in my opinion, it was very difficult to maintain, on the face of the constitution itself, and independent of long continued practice, the doctrine, that the States could authorize the circulation of bank paper at all. They cannot coin money. Can they then coin that which becomes the actual and almost the universal substitute for money? Is not the right of issuing paper, intended for circulation, in the place, and as the representative of metallic currency, derived merely from the power of coining and regulating that metallic currency? As bringing this matter to a just test, let me ask whether Congress, if it had not the power of coining money, and of regulating the value of foreign coins, could create a bank with the power to circulate bills? For one, I think it would be difficult to make that out. Where, then, do the States, to whom all control over the metallic currency is altogether prohibited, obtain this power? It is true, that, in other countries, private bankers, having no legal authority over the coin, issue notes for circulation; but this they do always with the consent of Government, express or implied, and Government restrains and regulates all their operations at its pleasure. It would be a startling proposition, in any other part of the world, that the prerogative of coining money, held by Government, was liable to be defeated, counteracted, or impeded, by another prerogative, held in other hands, of authorizing a paper circulation. It is further to be observed, that the States cannot issue bills of credit; not that they cannot make them a legal tender, but that they cannot issue them at all. Is not this a clear indication of the intent of the constitution to restrain the States, as well from establishing a paper circulation, as from interfering with the metallic circulation? Banks have been created by States, with no capital whatever, their notes being put into circulation simply on the credit of the State. What are the issues of such banks, but bills of credit, issued by the State?

I confess, Mr. President, that the more I reflect on this subject, the more clearly does my mind approach the conclusion, that the creation of State banks, for the purpose, and with the power of circulating paper, is not consistent with the grants and the prohibitions of the constitution. But, sir, this is not now the question. The question is not whether the States have the power; it is whether they *alone* have the power. May they rightfully *exclude* the United States from all interference with the paper currency? Are we interlopers, when we create a Bank of circulation? Do we owe them a *seignorage* for the circulation of bills, by a Corporation created by Congress? Certainly not. It has been decided by solemn adjudication that Congress may authorise the Bank to circulate its bills, as currency, and that no State can rightfully interrupt that circulation, by taxation or any other means. I shall never agree to surrender that authority. I would as soon yield the coinage power itself; nor do I think there would be much greater danger, nor a much clearer departure from constitutional principle, in consenting to such a surrender, than in acquiescing in what is now proposed.